



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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November 15, 2018

David Meier, Director
Audit and Management Advisory Services
University of California, San Diego
9800 Gilman Drive
La Jolla, CA 92093-0919

Reference: OIG Report No. 17-1-005

Dear Mr. Meier:

The National Science Foundation (NSF) has completed the review and resolution of the Office of Inspector General (OIG) audit report on costs incurred under NSF awards by Scripps Institution of Oceanography (SIO), University of California, San Diego (UCSD) during the period of April 1, 2012 to March 31, 2015.

The audit report identified a total of \$111,516 in questioned costs claimed on NSF awards and recommended that SIO strengthen its administrative and management controls for the areas in which findings were identified. As a result of its resolution efforts, NSF has determined that \$15,634 will be allowed and that \$95,882 will be disallowed. The table below summarizes the allowed and disallowed costs by finding number:

Finding	Description	Questioned	Allowed	Disallowed
1	Equipment, Materials, and Supplies Unreasonably Purchased Near Award Expiration	\$95,203	\$15,634	\$79,569
2	Unallowable Indirect Costs	\$7,723	\$0	\$7,723
3	Unreasonable Participant Support Expenditures	\$4,700	\$0	\$4,700
4	Unallocable Transactions	\$3,890	\$0	\$3,890
	Totals	\$111,516	\$15,634	\$95,882

To resolve the audit findings and questioned costs, NSF conducted a detailed review of applicable federal and NSF requirements, proposal and award information maintained by NSF, and documentation provided by SIO. The following provides the basis for the management decisions reached by NSF:

- **Finding 1: Equipment, Materials, and Supplies Unreasonably Purchased Near Award Expiration**
NSF partially sustains the finding. NSF determined that \$15,634 of the questioned costs represented reasonable, allowable, and allocable costs under NSF awards. Based on the requirements of 2 CFR 220 Appendix A, J.31 and SIO's concurrence, NSF's management decision is to disallow the remaining questioned costs of \$79,569.

- **Finding 2: Unallowable Indirect Costs**
NSF sustains the finding. Based on SIO's concurrence, NSF's management decision is to disallow all the questioned costs totaling \$7,723.
- **Finding 3: Unreasonable Participant Support Expenditures**
NSF sustains the finding. Based on SIO's concurrence, NSF's management decision is to disallow all the questioned costs totaling \$4,700.
- **Finding 4: Unallocable Transactions**
NSF sustains the finding. Based on SIO's concurrence, NSF's management decision is to disallow all the questioned costs totaling \$3,890.

Please be aware that SIO's right to appeal cost disallowances by NSF is outlined in Chapter XII.B of the NSF Proposal and Award Policies and Procedures Guide (PAPPG), which may be found online at: https://www.nsf.gov/publications/pub_summ.jsp?ods_key=pappg.

NSF accepts SIO's stated corrective actions as responsive to the compliance and internal control recommendations related to the audit findings and NSF considers the recommendations resolved and closed. However, NSF recommends that additional actions be considered under findings one and three to avoid future cost disallowances. Specifically, NSF recommends that policies and procedures be developed and implemented to ensure supplies from existing stores are charged to federal awards at actual net cost [in accordance with 2 CFR 200.453(b)] and not to awards on which the supplies were not used. NSF also recommends that existing policies be updated to define costs that are allowable as participant support costs in accordance with 2 CFR 200.75.

The total disallowed amount is \$95,882, of which SIO has provided evidence of \$8,590 in repayment. **Repayment of the remaining \$87,292 may be made via www.pay.gov or check payable to the National Science Foundation.** Please reference OIG Audit Report No. 17-1-005. Any necessary adjustments to ACM\$ because of the repayment will be made by the NSF Division of Financial Management. Mail checks to:

National Science Foundation
Attention: NSF Cashier
2415 Eisenhower Avenue
Alexandria, VA 22314

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Based on the above, NSF considers all findings and questioned costs resolved. Upon verification that repayment of the remaining \$87,292 disallowed costs has been completed, the audit report will be fully closed out by NSF.

SIO's timely responses and full cooperation with the NSF audit resolution process have been greatly appreciated. Should you have any questions regarding this letter or the NSF audit resolution process, please contact me at 703-292-4827.

Sincerely,

Rochelle D. Ray

Rochelle D. Ray, Branch Chief
Resolution and Advanced Monitoring Branch
Division of Institution and Award Support